

Office of Inspector General

Mission Statement

To (1) conduct and supervise audits and investigations of Treasury programs and operations; (2) provide leadership and coordination and recommend policies for activities designed to (a) promote economy, efficiency, and effectiveness in the administration of Treasury programs and operations, and (b) prevent and detect fraud, waste, and abuse in Treasury programs and operations; and (3) keep the Secretary and the Congress fully and currently informed about problems, abuses, and deficiencies in Treasury programs and operations.

Program Summary by Appropriations Account

Dollars in Thousands

Appropriation	FY 2006	FY 2007	FY 2007	FY 2008		
	Enacted	President's Budget	CR-rate	Request	\$ from CR-rate	% from CR-rate
Salaries and Expenses						
Audit	\$11,549	\$11,908	\$11,682	\$12,661	\$979	8.38%
Investigations	5,281	5,444	5,340	5,789	449	8.41%
Total Appropriated Resources	\$16,830	\$17,352	\$17,022	\$18,450	\$1,428	8.39%

FY 2008 Priorities

- Complete 56 audits,
- Complete 100 percent of OIG statutory mandated audits on time, and
- Refer 105 fraud, waste or abuse investigative cases for criminal prosecution, civil litigation or administrative action.

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Section 1 – Purpose

1A – Description of Bureau Vision and Priorities

The Treasury Office of Inspector General (OIG) provides independent oversight of the Department of Treasury and eight bureaus. The OIG has two primary offices, the Office of Audit (OA) and the Office of Investigations (OI).

The OIG's requested funding will be used to provide critical audit and investigative services, ensuring the effectiveness and integrity of Treasury's programs and operations. We will continue, as our first audit priority, to address mandated requirements related to financial statements, information security, Treasury procurements on behalf of the Department of Defense, and as necessary, failed financial institutions resulting in material losses (more than \$25 million) to the deposit insurance funds. While there are a number of critical areas where the OIG will also provide audit oversight, highlights of three of the Department's most serious management challenges and where we plan to focus our work include:

Programs to Combat Terrorist Financing and Money Laundering -- Treasury faces unique challenges in carrying out its responsibilities under the Bank Secrecy Act (BSA) and USA Patriot Act to prevent and detect money laundering and terrorist financing. To effectively prevent and detect financial crimes and terrorist financing it is necessary to have: (1) strong control environments at financial institutions that ensure that business is conducted with reputable parties, and large currency transactions and suspicious activities are properly and timely reported to Treasury, (2) strong federal and state regulatory agencies that examine and enforce BSA and USA Patriot Act requirements at financial institutions, and (3) strong analytical capacity to identify and refer to law enforcement leads provided through reports filed by financial institutions. While FinCEN is the Treasury bureau responsible for administering BSA, it relies on other Treasury and non-Treasury agencies to enforce compliance with the Act's requirements. The Office of Foreign Assets Control (OFAC), the Treasury office responsible for administering U.S. foreign sanction programs, also relies on other Treasury and non-Treasury agencies to ensure compliance with OFAC requirements. Past audits and Congressional hearings have surfaced serious regulatory gaps in the detection of and/or timely enforcement action against financial institutions for BSA and related violations. This management challenge will continue to be a major focus of our audit program.

Efforts to Ensure the Security of Treasury's Information Systems -- The Department faces serious challenges in bringing its systems into compliance with information technology security policies, procedures, standards, and guidelines. In its fiscal year 2006 Federal Information Security Management Act (FISMA) independent evaluation, the OIG continued to report significant deficiencies in the Department's information security programs and practices, constituting substantial non-compliance with the FISMA requirements. Although the Department recently established a reliable systems inventory (a significant problem in the past) improvements are still needed in the areas of:

certification and accreditation, security awareness, training employees with significant security responsibilities, tracking corrective actions, identifying and documenting system interfaces, security self-assessments, configuration management, and incident response. During 2006, OMB required agencies to perform specific actions to protect certain personally identifiable information. The OIG reported that the Department faces significant challenges to meet these requirements.

Treasury's Management of Capital Investments -- Treasury needs to better manage large acquisitions of systems and other capital investments. OIG reported significant cost escalations in the Department's HR Connect system and the Treasury and Annex Repair and Restoration (TBARR) project. OIG also reported that the Department's Treasury Communication Enterprise (TCE) system, estimated to cost \$1 billion, was poorly planned, executed, and documented. Among other things, the transition to TCE was delayed due in part to a successful protest of the bid award, and the Department changing course on how it addressed the bid protest decision. More recently, after nearly 2 years in development and \$15 million spent, FinCEN terminated its contract for the storage and retrieval component of BSA Direct after significant concerns were raised about schedule delays and project management.

Investigative priorities for FY 2008 are:

- Investigating complaints of alleged criminal and serious misconduct,
- Investigating allegations of fraud and other crimes involving Treasury contracts, grants, guarantees (fictitious instruments), and federal funds,
- Investigating instances of misdirected and stolen payments usually accompanied by identity theft enterprises,
- Investigating a variety of financial programs (OTS, OCC, & TTB), like those where fraud and other crimes are involved in the issuance of licenses or benefits provided to citizens,
- Performing oversight or quality assurance reviews of the Treasury's police operations at BEP and the U.S., and
- Proactive efforts in detecting, investigating, and deterring electronic crimes and other threats to the Department's physical and cyber critical infrastructure.

Resources required to support OIG operations for FY 2008 are \$18,450,000 from direct appropriations, and \$1,300,000 from reimbursable agreements for contract audits of other Treasury bureaus.

1B – Program History and Future Outlook

In FY 2005, the OIG completed 54 audits and evaluations, and opened 168 new cases and referred 85 investigations for criminal prosecution, civil litigation, or corrective administrative action. OIG audits identified potential monetary benefits (cost savings

and/or funds put to better use) totaling nearly \$52 million, and our investigative efforts led to more than \$6 million collected in fines, restitution, recoveries and settlements paid to the government or aggrieved parties.

In FY 2006, OIG efforts resulted in 57 audits completed, 488 complaints reviewed for potential investigation or inquiry, 129 new cases opened, 144 investigations referred, potential monetary benefits of \$35 million identified, and nearly \$600 thousand collected in fines, restitution, recoveries, and settlements.

In FY 2007, the Office of Audit expects to perform or supervise contractors to meet mandated audit requirements and focus its self-initiated audit resources to address the major management and performance challenges identified by the Inspector General. Those challenges are (1) Corporate Management, (2) Management of Capital Investments, (3) Information Security, (4) Linking Resources to Results and (5) Anti-Money Laundering and Terrorist Financing/Bank Secrecy Act Enforcement. In FY 2007, the Office of Investigations plans to continue investigating all reports of fraud, waste and abuse, and other criminal activity. FY 2007 resources will enable OI to maintain the improvements made to aggressively investigate, close, and refer cases in a timely manner. OI will also continue to conduct a limited number of proactive integrity projects such as the fraudulent improper payments project initiated in FY 2006.

The requested FY 2008 resource level will allow OIG to maintain performance at a level consistent with FY 2006 and FY 2007. OIG has continued to direct a significant portion of its limited resources to auditing Treasury programs that combat terrorist financing and money laundering, including a number of important audits at FinCEN, OFAC, OCC, and OTS.

OIG expects to complete 56 audits and evaluations and refer 105 investigations in FY 2008, however OIG continues to lack sufficient resources to comprehensively audit the Department's programs and operations.

Section 2 – Budget Adjustments and Appropriation Language

2.1 – Budget Adjustments Table

Dollars in Thousands

Appropriation: OIG Salaries & Expenses	FTE	Amount
FY 2006 Appropriation (P.L. 109-115)	115	\$17,000
Rescission (P.L. 109-148)	0	(\$170)
FY 2006 Enacted	115	\$16,830
FY 2007 President's Budget	115	\$17,352
CR-rate Adjustment		(330)
FY 2007 CR-rate	115	\$17,022
Changes to Base:		
Technical Adjustment to FY 2007 Base due to CR:		
Base Adjustment		882
Maintaining Current Levels (MCLs):		
Non-Pay Inflation Adjustment		95
Pay Annualization		71
Pay Inflation Adjustment		380
Total FY 2008 Base	115	\$18,450
Total FY 2008 Request	115	\$18,450

2A – Budget Increases and Decreases Description

Adjustments **-\$330,000 / +0 FTE**

CR-rate Adjustment **-\$330,000 / +0 FTE** Adjustment from the FY 2007 President's Budget to reach the FY 2007 Continuing Resolution annualized rate (CR-rate).

Technical Adjustment to FY 2007 Base due to CR **+\$882,000 / +0 FTE**

Base Adjustment **+\$882,000 / +0 FTE** Technical adjustment to FY 2007 Base due to CR.

Maintaining Current Levels (MCLs) **+\$546,000 / +0 FTE**

Non-Pay Inflation Adjustment **+\$95,000 / +0 FTE** Funds are requested for non-labor inflation and cost increases, such as contracts, travel, supplies, equipment, and GSA rent.

Pay Annualization **+\$71,000 / +0 FTE** Funds are requested for the FY 2008 cost of the January 2007 pay increase.

Pay Inflation Adjustment **+\$380,000 / +0 FTE** Pay adjustment for January 2008 pay increase and related increased benefit costs.

2.2 – Operating Levels Table

Dollars in Thousands

Appropriation Title: OIG Salaries & Expenses	FY 2007			FY 2007 CR-rate	Proposed Reprogra mmings	FY 2007	
	FY 2006 Enacted	President's Budget	CR-rate Adjustment			Proposed Operating Level	FY 2008 Requested Level
FTE	115	115		115		115	115
Object Classification:							
11.1 Full-Time Permanent Positions.....	\$9,904	\$10,655	(\$150)	\$10,505		\$10,505	\$10,765
11.1 Other than Full-Time Permanent Positions....	245	45		45		45	60
11.5 Other Personnel Compensation.....	600	90		90		90	500
11.8 Special Personal Services Payments.....	0	0		0		0	0
11.9 Personnel Compensation (Total).....	\$10,749	\$10,790	(\$150)	\$10,640	\$0	\$10,640	\$11,325
12.0 Personnel Benefits.....	2,070	2,443	(50)	2,393		2,393	2,775
13.0 Benefits to Former Personnel.....	0	0		0		0	0
21.0 Travel.....	600	440		440		440	475
22.0 Transportation of Things.....	0	0		0		0	0
23.1 Rental Payments to GSA.....	1,652	1,410	(130)	1,280		1,280	1,326
23.2 Rent Payments to Others.....	0	0		0		0	0
23.3 Communications, Utilities, & Misc.....	404	350		350		350	439
24.0 Printing and Reproduction.....	0	10		10		10	15
25.1 Advisory & Assistance Services.....	0	0		0		0	0
25.2 Other Services.....	100	285		285		285	385
25.3 Purchase of Goods/Serv. from Govt. Accts..	550	900		900		900	975
25.4 Operation & Maintenance of Facilities.....	100	202		202		202	0
25.5 Research & Development Contracts.....	0	0		0		0	0
25.6 Medical Care.....	0	32		32		32	40
25.7 Operation & Maintenance of Equipment.....	67	200		200		200	225
25.8 Subsistence & Support of Persons.....	0	0		0		0	0
26.0 Supplies and Materials.....	135	90		90		90	150
31.0 Equipment.....	403	200		200		200	320
32.0 Lands and Structures.....	0	0		0		0	0
33.0 Investments & Loans.....	0	0		0		0	0
41.0 Grants, Subsidies.....	0	0		0		0	0
42.0 Insurance Claims & Indemn.....	0	0		0		0	0
43.0 Interest and Dividends.....	0	0		0		0	0
44.0 Refunds.....	0	0		0		0	0
Total Budget Authority.....	\$16,830	\$17,352	(\$330)	\$17,022	\$0	\$17,022	\$18,450
Budget Activities:							
Audit	\$11,549	\$11,908	(\$226)	\$11,682		\$11,682	\$12,661
Investigations	5,281	5,444	(104)	\$5,340		5,340	5,789
Total Budget Authority.....	\$16,830	\$17,352	(\$330)	\$17,022	\$0	\$17,022	\$18,450

2B – Appropriation Language

Appropriations Language	Explanation of Changes
<p style="text-align: center;">DEPARTMENT OF THE TREASURY OFFICE OF INSPECTOR GENERAL</p> <p style="text-align: center;">Federal Funds</p> <p>SALARIES AND EXPENSES:</p> <p><i>For necessary expenses of the Office of Inspector General in carrying out the provisions of the Inspector General Act of 1978, as amended, \$18,450,000, of which not to exceed \$2,000,000 for official travel expenses, including hire of passenger motor vehicles; of which not to exceed \$100,000 for unforeseen emergencies of a confidential nature, to be allocated and expended under the direction of the Inspector General of the Treasury; and of which not to exceed \$2,500 shall be available for official reception and representation expenses.</i></p>	

2C – Legislative Proposals

The OIG has no legislative proposals for FY 2008.

Section 3 – Budget and Performance Plan

3.1 – Appropriation Detail Table

Dollars in Thousands

Resources Available for Obligation	FY 2006 Enacted		FY 2006 Obligations		FY 2007 Presidents Budget		FY 2007 CR-Rate		FY 2008 Request		% Change FY 2007 to FY 2008	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:												
Audit	74	\$11,549	75	\$11,549	74	\$11,908	74	\$11,681	74	\$12,661	0.0%	8.39%
Investigations	41	5,281	41	5,281	41	5,444	41	5,341	41	5,789	0.0%	8.39%
Subtotal New Appropriated Resources	115	\$16,830	116	\$16,830	115	\$17,352	115	\$17,022	115	\$18,450	0.00%	8.39%
Other Resources:												
Offsetting Collections - Reimbursable (Note 1)	5	\$2,342	4	\$2,342	5	\$2,342	2	\$1,300	0	\$1,300	-100.0%	0.00%
Subtotal Other Resources	5	\$2,342	4	\$2,342	5	\$2,342	2	\$1,300	0	\$1,300	-100.00%	0.00%
Total Resources Available for Obligation	120	\$19,172	120	\$19,172	120	\$19,694	117	\$18,322	115	\$19,750	-1.71%	7.79%

Note 1 - Reimbursable funding for IGATI operations and for other bureau contract audit support. FY 2008 reduction reflects IGATI's move to a consolidated IG institute.

3A – Audit (*\$12,661,000 from direct appropriations and \$1,300,000 from reimbursable programs*): The Office of Audit conducts audits of eight Treasury bureaus and all non-IRS Treasury offices; produces more than 50 reports annually; and provides firsthand, unbiased perspectives and recommendations for improving the economy, efficiency, and effectiveness of Treasury programs and operations. The Office of Audit often identifies significant cost savings to the government, principally through self-initiated audits.

The Office of Audit also responds to requests by Treasury officials and the Congress for specific work. While statute requires certain audits be conducted every year, the number of additional congressionally-required audits and requests has increased in recent years.

3.2.1 – Audit Budget and Performance Plan

Dollars in Thousands

Audit Budget Activity	Includes Strategic Objective M5A				
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Resource Level	Enacted	Enacted	Enacted	President's Budget	Request
Financial Resources					
Appropriated Resources	\$9,434	\$11,299	\$11,549	\$11,908	\$12,661
Other Resources	1,272	2,342	2,342	2,342	1,300
Total Operating Level	\$10,706	\$13,641	\$13,891	\$14,250	\$13,961
Human Resources					
Appropriated FTE	72	74	74	74	74
Other FTE	7	6	5	5	0
Total FTE (direct and reimbursable)	79	80	79	79	74

Audit Budget Activity	Measure	Includes Strategic Objective M5A				
		FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Number of completed audits and evaluations (Ot)	Target	48	53	56	56	56
	Actual	49	54	57		
	Met	Yes	Yes	Yes		
Percent of statutory audits completed by the required date (%) (E)	Target	100%	100%	100%	100%	100%
	Actual	100%	100%	100%		
	Met	Yes	Yes	Yes		

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, and M - Management/Cust. Satisfaction

Description of Performance: In FY 2005, the OIG completed 54 audits and evaluations, completed all statutory audits by the required dates and identified potential monetary benefits (cost savings and/or funds put to better use) totaling nearly \$52 million. In FY 2006, OIG efforts resulted in 57 audits completed, all statutory audits completed on time and \$35 million in potential monetary benefits identified.

In FY 2007, the Office of Audit will continue to perform or supervise contractors in meeting mandated audit requirements. The Office of Audit will focus its limited self-initiated audit resources to address the major management and performance challenges identified by the Inspector General. Those challenges are (1) Corporate Management, (2) Management of Capital Investments, (3) Information Security, (4) Linking Resources to Results and (5) Anti-Money Laundering and Terrorist Financing/Bank Secrecy Act Enforcement.

Similarly for FY 2008, the Office of Audit will continue, as its first audit priority, to address mandated requirements related to financial statements, information security, and as necessary, failed financial institutions resulting in material losses (more than \$25 million) to the deposit insurance funds. While there are a number of critical areas where the OIG will also provide audit oversight, our focus will be on the Department's serious management challenges related to programs to combat terrorist financing and money laundering, the security of Treasury's information systems, and Treasury's management of capital investments.

3B – Investigations (\$5,789,000 from direct appropriations): The Office of Investigations prevents, detects and investigates complaints of fraud, waste and abuse at eight Treasury bureaus and all non-IRS Treasury offices. This includes the detection and prevention or deterrence of employee misconduct and fraud, or related financial crimes within or directed against Treasury. The Office of Investigations refers its cases to the Department of Justice and state or local prosecutors for criminal prosecution or civil litigation, or to agency officials for corrective administrative action.

3.2.2 – Investigations Budget and Performance Plan

Dollars in Thousands

Investigations Budget Activity		Includes Strategic Objective M5A			
Resource Level	FY 2004 Enacted	FY 2005 Enacted	FY 2006 Enacted	FY 2007 President's Budget	FY 2008 Request
Financial Resources					
Appropriated Resources	\$3,489	\$5,069	\$5,281	\$5,444	\$5,789
Other Resources	0	0	0	0	0
Total Operating Level	\$3,489	\$5,069	\$5,281	\$5,444	\$5,789
Human Resources					
Appropriated FTE	27	41	41	41	41
Other FTE	0	0	0	0	0
Total FTE (direct and reimbursable)	27	41	41	41	41

Investigations Budget Activity		Includes Strategic Objective M5A				
Measure		FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Number of investigations referred for criminal prosecution, civil litigation or corrective administrative action. (Oe)	Target		72	85	105	105
	Actual		85	144		
	Met		Yes	Yes		

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, and M - Management/Cust. Satisfaction

Description of Performance: In FY 2005, the OIG opened 168 new cases and referred 85 investigations for criminal prosecution, civil litigation, or corrective administrative action, and OIG investigative efforts led to more than \$6 million collected in fines, restitution, recoveries and settlements paid to the government or aggrieved parties collected.

In FY 2006, the OIG reviewed 488 complaints for potential investigation or inquiry, opened 129 new investigations, and referred 149 investigations, leading to nearly \$600 thousand in fines, restitution, recoveries, and settlements.

In FY 2007, the Office of Investigations (OI) plans to continue investigating all reports of fraud, waste and abuse and other criminal activity. FY 2007 resources will enable the Office of Investigations to maintain the improvements made in an effort to aggressively investigate, close, and refer cases in a timely manner.

Given the current investigative resource level, the Office of Investigations continues to prioritize its workload by directing investigators to work on the most significant cases first. This, coupled with the realignment of OI in 2006, to include increasing

supervision, should better position the OIG to reduce most delays associated with processing our criminal and serious employee misconduct investigations.

In FY 2008 the Office of Investigations will continue investigating all reports of fraud, waste and abuse, and other criminal activity, and will maintain current efforts to aggressively investigate, close and refer cases for criminal prosecution, civil litigation or administrative action in a timely manner.

For detailed information about each performance measure, including definition, verification and validation, please go to:

http://www.treas.gov/offices/management/dcfo/accountability-reports/2006-par/Part_IV_Appendices.pdf

Section 4 – Supporting Materials

4.1 – Human Resources Table

Changes in Full Time Equivalents

Direct FTE	FY 2006	FY 2007	FY 2008
Base: Year-end Actual from Prior Year	109	116	115
Increases:			
Reason #1: Normal Accession	13	9	10
Subtotal, Increases	13	9	10
Decreases:			
Reason #1: Normal Attrition	-6	-10	-10
Subtotal, Decreases	-6	-10	-10
Year-end Actual/Estimated FTEs	116	115	115
Net Change from prior year SOY to budget year EOY			-1

4A – Human Capital Strategy Description

The OIG identified two mission critical occupations that closely align to its two budget activities, audit and investigations, and has integrated workforce plans for these specialized professionals (auditors, criminal investigators) with strategic and annual plan goals and objectives.

The OIG has had exceptional recruitment success using automated tools to re-establish and then maintain its human capital pipeline for the past four years, with OIG job announcements attracting up to 1,000 applicants, and selections made and positions offered within 30-days, on average.

4.2 – Summary of IT Resources Table

Dollars in Millions

Information Technology Investments (in \$ Millions)										
	Budget Activity/Funding Source	Identify the Program that the System is Aligned to	FY 2005		FY 2006	% Change from FY05	FY 2007	% Change	FY 2008	
			Operating Plan	Obligations	Operating Plan	Actuals to FY06	President's Budget	from FY06 to FY07	Request	% Change from FY07 to FY08
Major IT Investments										
Subtotal, Major IT Investments			\$0.0	\$0.0	\$0.0	0.0%	\$0.0	0.0%	-	0.0%
Non-Major IT Investments			\$0.4	\$0.5	\$0.3	-38.8%	\$0.4	30.0%	0.4	2.6%
NONE - OIG STEADY STATE OPERATING COSTS										
Infrastructure Investments			\$0.0	\$0.0	\$0.0	0.0%	\$0.0	0.0%	-	0.0%
Enterprise Architecture			\$0.0	\$0.0	\$0.0	0.0%	\$0.0	0.0%	-	0.0%
Total IT Investments			\$0.4	\$0.5	\$0.3	-38.8%	\$0.4	30.0%	0.4	2.6%

1/ FY 2006 Obligations of FY 2006 Enacted amounts

4B – Information Technology Strategy

IT funding has been critical in enabling OIG to make significant progress in providing technology refreshment that allows our auditors, investigators, and support personnel to use hardware and software actively maintained by the manufacturers. IT funding also strengthens OIG's entity-wide IT security program, with equipment designed for anti-virus detection/protection, anti-spam detection, anti-spy detection, intrusion detection/prevention, monitoring and patch management, and disaster recovery. This ensures that the OIG IT infrastructure operates in a secure manner and that the information collected during audits and investigations of the Department's operations and resources are not susceptible to computer attacks and terrorist activities. Maintaining the OIG IT infrastructure and its IT security program at an acceptable level requires on-going upgrades of tools and technologies.

IT funding has also enhanced OIG's ability to perform computer forensics during investigations and computer vulnerability scanning during audits of the Department's IT operations and resources. Maintaining these capabilities requires on-going upgrades of tools and technologies.

4.3 – PART Evaluation Table

The OIG is not, nor is it scheduled to be, PARTed.

For a complete list of PART results visit the following website:

<http://www.whitehouse.gov/omb/expectmore/all.html>